

returns for the three (3) year period would have been covered by 10.0% of the underlying Real value. Based upon these results, the Exchange is proposing to set the margin "add-on" percentage for Brazilian Real warrants at 10% for both initial and maintenance margin, with a minimum add-on for out-of-the-money warrants of 2%. If as the result of the Exchange's routine monitoring of margin adequacy, the Exchange determines that a different percentage would be appropriate, CBOE will file a proposal with the Commission to modify the add-on percentages.

The Exchange believes that the listing and trading of Brazilian Real warrants is consistent with Section 6(b) of the Act in general, and with Section 6(b)(5) in particular, because it will help remove impediments to a free and open securities market and facilitate transactions in securities by providing investors with a low-cost means to participate in the performance of the Brazilian economy or to hedge against the risk of investing in that economy.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

The Exchange believes the proposed rule change will impose no inappropriate burden on competition.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

The Exchange has neither solicited nor received written comments on the proposed rule change.

#### *III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action*

Within 35 days of the publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

#### *IV. Solicitation of Comments*

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the

submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-95-54 and should be submitted by December 7, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>3</sup>

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 95-28249 Filed 11-15-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36466; File No. SR-NASD-95-45]

#### **Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to an Amendment to Article II, Section 4 of the NASD By-Laws Relating to the Eligibility Provisions for Members and Associated Persons**

November 8, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on October 31, 1995,<sup>1</sup> the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>3</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> The proposed rule change was originally submitted on October 3, 1995, but was subsequently amended on October 31, 1995. This notice incorporates the amendment of October 31, 1995. The amendment is available for inspection and copying in the Commission's Public Reference Room.

#### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The NASD is proposing to amend Article II, Section 4 of the NASD By-Laws to conform these provisions to changes adopted by Congress. Below is the text of the proposed rule change. Proposed new language is italicized and deleted language is bracketed:

##### **Article II, Section 4**

##### ***Definition of Disqualification***

Sec. 4. A person is subject to a "disqualification" with respect to membership, or association with a member, if such person:

[Commission and Self-Regulatory Organization Disciplinary Sanctions]

(a) has been and is expelled or suspended from membership or participation in, or barred or suspended from being associated with a member of, any self-regulatory organization, *foreign equivalent of a self-regulatory organization, foreign or international securities exchange*, contract market designated pursuant to Section 5 of the Commodity Exchange Act, *or a foreign equivalent of a contract market designated pursuant to* [or futures association, registered under Section 17 of such Act, or] *any substantially equivalent foreign statute or regulation, or futures association registered under Section 17 of the Commodity Exchange Act or a foreign equivalent of futures association designated pursuant to any substantially equivalent foreign statute or regulation, or has been and is denied trading privileges on any such contract market or foreign equivalent;*

[(b) is subject to an order of the Commission or other appropriate regulatory agency denying, suspending for a period not exceeding twelve months, or revoking his registration as a broker, dealer, municipal securities dealer (including a bank or department or division of a bank), or government securities broker or dealer or barring or suspending him from being associated with a broker, dealer, or municipal securities dealer (including a bank or department or division of a bank), or is subject to an order of the Commodity Futures Trading Commission denying, suspending, or revoking his registration under the Commodity Exchange Act;]

*(b) is subject to—*

*(1) an order of the Commission, other appropriate regulatory agency, or foreign financial regulatory authority:*

*(i) denying, suspending for a period not exceeding 12 months, or revoking his registration as a broker, dealer, municipal securities dealer, government*

*securities broker, or government securities dealer or limiting his activities as a foreign person performing a function substantially equivalent to any of the above; or*

*(ii) barring or suspending for a period not exceeding 12 months his being associated with a broker, dealer, municipal securities dealer, government securities broker, government securities dealer, or foreign person performing a function substantially equivalent to any of the above;*

*(2) an order of the Commodity Futures Trading Commission denying, suspending, or revoking his registration under the Commodity Exchange Act (7 U.S.C. 1 et seq.); or*

*(3) an order by a foreign financial regulatory authority denying, suspending, or revoking the person's authority to engage in transactions in contracts of sale of a commodity for future delivery or other instruments traded on or subject to the rules of a contract market, board of trade, or foreign equivalent thereof;*

(c) by his conduct while associated with a broker, dealer, municipal securities dealer [(including a bank or department or division of a bank)], [or] government securities broker, or government securities dealer, or while associated with an entity or person required to be registered under the Commodity Exchange Act, has been found to be a cause of any effective suspension, expulsion or order of the character described in subsections (a) or (b) of this Section;

(d) by his conduct while associated with any broker, dealer, municipal securities dealer, government securities broker, government securities dealer, or any other entity engaged in transactions in securities, or while associated with an entity engaged in transactions in contracts of sale of a commodity for future delivery or other instruments traded on or subject to the rules of a contract market, board of trade, or foreign equivalent thereof, has been found to be a cause of any effective suspension, expulsion, or order by a foreign or international securities exchange or foreign financial regulatory authority empowered by a foreign government to administer or enforce its laws relating to financial transactions as described in subsection (a) or (b) of this Section;

[(d)](e) has associated with him any person who is known, or in the exercise of reasonable care should be known, to him to be a person described in subsections (a), (b), [or] (c), or (d) of this Section;

#### [Misstatements]

[(e)](f) has willfully made or caused to be made in any application for membership in a self-regulatory organization, or to become associated with a member of a self-regulatory organization, or in any report required to be filed with a self-regulatory organization, or in any proceeding before a self-regulatory organization, any statement which was at the time, and in light of the circumstances under which it was made, false or misleading with respect to any material fact, or has omitted to state in any such application, report, or proceeding any material fact which is required to be stated therein;

#### [Convictions]

[(f)](g)(1) has been convicted within ten years preceding the filing of any application for membership in the Corporation, or to become associated with a member of the Corporation, or at any time thereafter, of any felony or misdemeanor or of a substantially equivalent crime by a foreign court of competent jurisdiction which:

(i)[(1)] involves the purchase or sale of any security, the taking of a false oath, the making of a false report, bribery, perjury, burglary, any substantially equivalent activity however denominated by the laws of the relevant foreign government, or conspiracy to commit any such offense;

(ii)[(2)] arises out of the conduct of the business of a broker, dealer, municipal securities dealer, [or] government securities broker [or] government securities dealer, investment adviser, bank, insurance company, fiduciary, transfer agent, foreign person performing a function substantially equivalent to any of the above, or any entity or person required to be registered under the Commodity Exchange Act or any substantially equivalent foreign statute or regulation;

(iii)[(3)] involves the larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds, or securities; or substantially equivalent activity however denominated by the laws of the relevant foreign government; or

(iv)[(4)] involves the violation of Sections 152, 1341, 1342 or 1343 or Chapters 25 or 47 of Title 18, United States Code [;], or a violation of a substantially equivalent foreign statute;

(g)(2) has been convicted within ten years preceding the filing of any application for membership in the Corporation, or to become associated with a member of the Corporation, or at any time thereafter of any other felony;

#### [Injunctions]

[(g)](h) is permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction from acting as an investment adviser, underwriter, broker, dealer, [or] municipal securities dealer, government securities broker, [or] government securities dealer, transfer agent, foreign person performing a function substantially equivalent to any of the above, or entity or person required to be registered under the Commodity Exchange Act, or any substantially equivalent foreign statute or regulation, [municipal securities dealer (including a bank or department or division of a bank)], or [government securities broker or dealer or] as an affiliated person or employee of any investment company, bank, insurance company, foreign entity substantially equivalent to any of the above, or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase or sale of any security;

(i) has been found by a foreign financial regulatory authority to have—

(1) made or caused to be made in any application for registration or report required to be filed with a foreign financial regulatory authority, or in any proceeding before a foreign financial regulatory authority with respect to registration, any statement that was at the time and in the light of the circumstances under which it was made false or misleading with respect to any material fact, or has omitted to state in any application or report to the foreign financial regulatory authority any material fact that is required to be stated therein;

(2) violated any foreign statute or regulation regarding transactions in securities, or contracts of sale of a commodity for future delivery, traded on or subject to the rules of a contract market or any board of trade; or

(3) aided, abetted, counseled, commanded, induced, or procured the violation by any person of any provision of any statutory provisions enacted by a foreign government, or rules or regulations thereunder, empowering a foreign financial regulatory authority regarding transactions in securities, or contracts of sale of a commodity for future delivery, traded on or subject to the rules of a contract market or any board of trade, or has been found, by a foreign financial regulatory authority, to have failed reasonably to supervise, with a view to preventing violations of such statutory provisions, rules, and regulations, another person who

*commits such a violation, if such other person is subject to his supervision.*

## II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The NASD has prepared summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of such statements.

### (A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of the proposed rule change is to amend Article II, Section 4 of the NASD By-Laws so that it will generally conform the NASD's eligibility criteria to changes adopted by Congress in 1990 to the statutory disqualification provisions found in Sections 3(a)(39) and 15(b)(4) of the Act. The NASD's eligibility criteria found in Article II, Section 4 of the By-Laws generally have followed the aforementioned statutory disqualification provisions in the Act. In November 1990, Congress amended the statutory disqualification provisions of the Act to include all felony convictions for ten years from the date of the conviction and to include various foreign regulatory actions.

The NASD believes that the proposed rule change is consistent with the provisions of Sections 15A(b)(6) and 15A(g)(2) of the Act in that the proposed changes to the By-Laws will promote uniformity and consistency with existing provisions of the Act.

### (B) Self-Regulatory Organization's Statement on Burden on Competition

The NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

### (C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

## III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing

Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to file number SR-NASD-95-45 and should be submitted by December 7, 1995.

## IV. Commission's Findings and Order Granting Accelerated Approval

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the NASD and, in particular, with the requirements of Sections 15(b)(7), 15A(b)(6), 15A(b)(7), 15A(g)(2), 15A(g)(3)(A) and 15A(g)(3)(B) of the Exchange Act.<sup>2</sup> Section 15(b)(7) states that a registered broker or dealer may not effect any transaction in, or induce the purchase or sale of, any security unless such broker or dealer meets standards of operational capability, and such broker or dealer and all persons associated with such broker or dealer meet certain standards of training, experience, competence, and other qualifications as the Commission finds necessary or appropriate in the public interest or for the protection of investors. Section 15A(b)(6) requires, in relevant part, that the rules of a registered securities association be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and to protect investors and the public interest. Section 15A(b)(7) requires that the rules of a registered securities association provide that its members and persons associated with its members be appropriately disciplined for violation of any provision of the Act, the rules or regulations thereunder, the rules of the Municipal Securities Rulemaking Board, or the rules of the association, by expulsion, suspension, limitation of

activities, functions, and operations, fine, censure, being suspended or barred from association with a member, or any other fitting sanction. Section 15A(g)(2) provides for a registered securities association to deny membership to any registered broker or dealer, and bar from becoming associated with a member any person, who is subject to a statutory disqualification. Section 15A(g)(3)(A) permits a registered securities association to deny membership to, or condition the membership of a registered broker or dealer if such broker or dealer does not meet standards of financial responsibility or operational capability, or if such broker or dealer or any natural person associated with such broker or dealer does not meet standards of training, experience, and competence as are prescribed by the rules of the association, or has engaged, and there is a reasonable likelihood he will again engage, in acts or practices inconsistent with just and equitable principles of trade. Section 15A(g)(3)(B) permits a registered securities association to bar a natural person from becoming associated with a member or condition the association of such person with a member if the person does not meet such standards of training, experience, and competence as are prescribed by the rules of the association, or has engaged, and there is a reasonable likelihood he will again engage, in acts or practices inconsistent with just a equitable principles of trade.

The Commission believes that the amendment to Article II, Section 4 of the NASD By-Laws will help the NASD in its efforts to protect investors and the public interest. The NASD's attempt to more closely conform Article II, Section 4 to the definition of statutory disqualification in the Act will enhance the NASD's authority with respect to persons subject to statutory disqualification. The amendment will allow the NASD to use this authority over such persons to better protect the integrity of its members and persons associated with its members.

The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of notice of filing thereof in the Federal Register. The Commission believes that accelerated approval of the NASD's proposal is appropriate given the fact that the amendment is modeled after the definition of statutory disqualification in the Act, and the importance of a self-regulatory organization's ability to exercise its authority over persons subject to statutory disqualification.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that

<sup>2</sup> 15 U.S.C. 78o(b)(7), 78o-3(b)(6), 78o-3(b)(7), 78o-3(g)(2), 78o-3(g)(3)(A), 78o-3(g)(3)(B),

proposed rule change SR-NASD-95-45 be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>3</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 95-28315 Filed 11-15-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36469; International Series Release No. 883; File No. SR-ODD-95-1]

**Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving Supplement to Options Disclosure Document Regarding Customized Foreign Currency Options With Customized Expiration Dates**

November 8, 1995.

On October 26, 1995, the Options Clearing Corporation ("OCC"), on behalf of the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange"), submitted to the Securities and Exchange Commission ("Commission"), pursuant to Rule 9b-1 under the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> preliminary copies of a supplement ("Supplement") to the Options Disclosure ("ODD") which describes the special exercise and assignment procedures for foreign currency options with customized expiration dates ("Customized expiration date FCOs"). Five definitive copies of the Supplement were delivered to the Commission on November 7, 1995.<sup>2</sup>

The proposed Supplement to the ODD provides for disclosure of certain unique aspects of the Exchange's Customized expiration date FCO proposal, which has been submitted to the Commission separately.<sup>3</sup> This Supplement, which is to be read in conjunction with the more general ODD entitled "Characteristics and Risks of Standardized Options," describes, among other things, the special exercise and assignment procedures for Customized expiration date FCOs. Pursuant to Rule 9b-1, the Supplement will have to be provided to investors in this product before their accounts are approved for transactions in Customized expiration date FCOs or their orders for Customized expiration date FCOs are accepted.

The Commission has reviewed the ODD Supplement and finds that it

complies with Rule 9b-1. The Supplement is intended to be read in conjunction with the ODD, which discloses the characteristics and risks of flexibly structured foreign currency options generally. The Supplement provides additional information regarding Customized expiration date FCOs sufficient to describe the special characteristics and risks of these products with respect to their exercise and assignment.

Rule 9b-1 provides that an options market must file five copies of amendments to a disclosure document with the Commission at least 30 days prior to the date definitive copies are furnished to customers, unless the Commission determines otherwise having due regard to the adequacy of the information disclosed and the protection of investors.<sup>4</sup> The Commission believes that it is consistent with the public interest and the protection of investors to allow distribution of the Supplement as of November 8, 1995, a date which is within 30 days of the date definitive copies of the Supplement were submitted to the Commission. Specifically, the Commission believes that, because the Supplement provides adequate disclosure of the special characteristics and risks of these products with respect to their exercise and assignment, thereby helping to ensure that customers engaging in Customized expiration date FCOs are cable of understanding the risks of such trading activity, it is consistent with the public interest for it to be distributed to investors before the planned commencement of, or simultaneously with, trading in Customized expiration date FCOs on the Exchange.

*It is therefore ordered*, pursuant to Rule 9b-1 under the Act,<sup>5</sup> that the proposed Supplement to the ODD (SR-ODD-95-1) to accommodate the Exchange's proposed trading of Customized expiration date FCOs is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 95-28317 Filed 11-15-95; 8:45 am]

BILLING CODE 5010-01-M

[Release No. 34-36474; File No. SR-PSE-95-27]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Stock Exchange, Incorporated Relating to the Amendment of its Minor Rule Plan To Include Certain Rules on Financial Reporting and Cooperation in Exchange Investigations and the Establishment of a Charge for the Late Filing of Periodic FOCUS Reports**

November 9, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on October 17, 1995, the Pacific Stock Exchange, Incorporated ("PSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange is proposed to amend its Minor Rule Plan to include certain rules on financial reporting and cooperation in Exchange investigations. The Exchange is also proposing to amend its rules to establish an administrative charge for the late filing of quarterly FOCUS Reports. The text of the proposed rule change is as follows [new text is italicized]:

**Minor Rule Plan**

Rule 10.13(a)-(i)—No change.

(j) Minor Rule Plan: Record Keeping and Other Minor Rule Violations.

(j)(1)-(j)(4)—No change.

(j)(5) *Failure to file a financial report or financial information in the type, form, manner and time prescribed by the Exchange. (Rule 2.12(a))*

(j)(6) *Delaying, impeding or failing to cooperate in an Exchange investigation. (Rule 10.2(b))*

\* \* \* \* \*

**Minor Rule Plan Recommended Fine Schedule (Pursuant to Rule 10.13(f))**

Rule 10.13(j).

<sup>3</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 17 CFR 240.9b-1 (1994).

<sup>2</sup> See letter from Jean M. Cawley, OCC, to Michael Walinskas, Branch Chief, Office of Market Supervision, Division of Market Regulation, Commission, dated November 7, 1995.

<sup>3</sup> See Securities Exchange Act Release No. 36131 (August 22, 1995), 60 FR 44927 (August 29, 1995) (notice of File No. SR-PHLX-95-52).

<sup>4</sup> This provision is intended to permit the Commission either to accelerate or to extend the time period in which definitive copies of a

disclosure document may be distributed to the public.

<sup>5</sup> 17 CFR 240.9b-1 (1994).

<sup>6</sup> 17 CFR 200.30-3(a)(39) (1994).